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SUBJECT: Rio Radar - Weeks of September 4 and 11, 2009

**¶1.** (U) Rio Radar is a weekly compilation of key economic, political, commercial, and other developments in the states of Rio de Janeiro, Bahia, Minas Gerais, Espirito Santo, and Sergipe. This report's subjects:

#### NARCO-TRAFFICKING GANGS ATTACK POLICE IN SALVADOR

**¶2.** (U) On September 7, narco-trafficking gangs launched a series of coordinated attacks against military police targets in Salvador, capital of Bahia state, in retaliation for the transfer of Claudio Eduardo Campnaha - an arrested drug kingpin - to a federal prison in Mato Grosso do Sul. A Bahia state military police captain told us on September 9 that since the violence began, gangs had opened gunfire on eight police booths and incinerated six buses, wounding at least nine persons. According to the official, the police closed all police booths, reinforced mobile patrols throughout the city, and launched offensive operations against the gangs, leading to 10 arrests and six gang members killed. According to a State Deputy from Bahia, however, the police actions have failed to halt the violence, with another bus incineration on September 9.

#### MULTIPLE WELLS IN PRE-SALT AREA COME UP DRY

**¶3.** (U) The BG Group, UK's third largest natural gas producer announced on August 25 that a pre-salt well drilled in partnership with Petrobras at BM-S-52 block in Santos Basin resulted in no hydrocarbon finds. In July, an Exxon Mobile exploration also came up dry in another pre-salt well in the Santos Basin. On August 26, Sao Paulo-based newspaper Estado reported that Petrobras had failed to find oil at another pre-salt well, BM-S-17. Rio de Janeiro-based energy analysts disputed the report, however, arguing there was evidence that Petrobras rigs remained operational in BM-S-17, and speculating the press was attempting to demonstrate there still exists exploration risk in the pre-salt area through reports published during the lead up to the Brazilian government's announcement of the pre-salt regulatory framework on August 31.

#### RIO TO LEGALIZE SHOPS WITHIN FAVELAS

**¶4.** (U) The Mayor's Office of Rio de Janeiro has launched a pilot program to legitimize retail business inside seven major favelas. The program, called Choque de Legalidade (Legal Impact), first implemented in July in the Rio das Pedras favela, aims to license heretofore illegal stores and shops. Rio de Janeiro's municipal Special Secretariat for Public Organization will set up mobile units in favelas to issue business licenses to commercial ventures within the communities. The seven favelas include Rocinha, Santa Marta, Chapeu Mangueira, Babilonia, Terreirco, Jardim do Batan and Complexo do Alemco.

#### RIO'S RATE OF IDLE PRISONERS HIGHEST IN THE COUNTRY

**¶5.** (U) Elionaldo Fernandes Juliao, a professor from the University of Rio de Janeiro, reported this week that only 7.29 percent of the 22,606 prisoners incarcerated in the 44 prisons of Rio de Janeiro state are working or studying, constituting the highest percentage of idle prisoners in Brazil. The national average is 24 percent. According to Fernandes, this lack of productive activity leads to criminal activity within the prison, such as using mobile phones to

place fake kidnapping and ransom calls to victims, as well as planning acts of violence.

PETROBRAS MOST PROFITABLE NON-FINANCIAL COMPANY IN THE WESTERN HEMISPHERE IN SECOND QUARTER 2009

¶6. (U) According to Rio-based consulting firm Economatica, Petrobras was the most profitable non-financial services company in the Western Hemisphere between April and June 2009, with 3.9 billion USD in net revenue. Citibank came in first overall, with 4.3 billion USD in net revenue. Petrobras was the only Brazilian company to make the top 10 of the Economatica ranking.